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SUBJECT: U.S.-JAPAN INFORMAL POLICY PLANNING BILATERAL:
PART I PM SESSION, MARCH 2, 2005

Classified By: Political Section Deputy Carol Reynolds. Reasons:1.4(b/d).

11. (C) Summary: During informal policy planning talks with Ministry of Foreign Affairs Deputy Vice Minister Tsuneo Nishida on March 2, Director of Policy Planning Stephen D. Krasner discussed East Asian architecture, China, North Korea and the President's democratization agenda. Nishida said Japan was closely focused on the Asia-Pacific theater, but shared the fundamental recognition that in today's world, it was impossible to separate the region from the challenges of the global community. He outlined the various challenges facing the U.S.-Japan alliance, including the Korean Peninsula, expanding weapons stockpiles in the region, and the Taiwan Strait. Nishida viewed ARF as an important regional institution, and the East Asian community as a natural, legitimate trend among Asian countries to create a regional institution. China is a rising power, he said, and the GOJ is still evaluating the orientation of the Hu-Wen regime. Despite rapidly growing bilateral economic ties, Japan is experiencing daily problems with China and uncertainty over its military buildup.

12. (S) Summary, cont. Turning to North Korea, Krasner noted that China's role appeared central to the problem. Nishida agreed and said the USG and GOJ must think carefully about what real leverage China had to help resolve the nuclear issue effectively. Domestic political pressure on Japan from the abductions issue was significant, and Nishida was unsure how long the GOJ could resist such pressure before having to apply unilateral measures such as legal sanctions. Nishida said Japan is hoping for successful resolution in the context of the Six-Party Talks, but might be forced to go to the UNSC with or without the United States if the Six-Party Talks remain a "hollow circus." Many label the UNSC route a "non-starter" because China would oppose it, but if China cannot deliver on the talks, the UNSC might become a viable option, Tsuruoka argued. For this reason, things needed to start moving in the context of the talks. Nishida suggested that Secretary Rice's upcoming trip to Asia might be an opportune time to discuss the issue. Krasner briefed his counterparts on the general goals of the U.S. democratization initiative and on the challenges of implementation, and invited Nishida to discuss ways to coordinate bilaterally. Nishida offered Indonesia and India as two possible targets for joint democratization efforts because Indonesia is a big, complex, strategically important country and, he argued, India's role in Asia will likely grow as China rises. End Summary.

13. (C) Deputy Vice Minister Nishida kicked off the informal policy planning talks with S/P Director Stephen D. Krasner on March 2 by praising the value of such meetings in promoting a concrete political agenda and in creating new frontiers for expanded U.S. and Japanese cooperation to achieve common objectives. He highlighted the challenge of not only setting policies that respond quickly and effectively to immediate developments, but that meet a long-term, broader objective as well. S/P Krasner agreed, stating that he was committed to continuing the close relationship and appreciated the chance to speak candidly on a broad range of issues. Nishida observed that this was the first session of bilateral policy planning talks held since S/P Director Krasner was appointed, the first since President Bush was re-elected, and the first since the Two-Plus-Two talks in Washington on February 19. The GOJ considered the Two-Plus-Two meeting to have been a great success, and Foreign Minister Machimura was personally very happy with the outcome. Nishida said it was important for the U.S. and Japan to work together to maintain this momentum.

East Asian Architecture

14. (C) Outlining Tokyo's view of the international strategic environment, Nishida said Japan was closely focused on the Asia-Pacific theater, but shared the fundamental recognition that in today's world, it was impossible to separate the region from the rest of the global community. The USG and GOJ share common strategic objectives, as clearly demonstrated by the four Ministers' recent meeting in Washington. Speaking frankly, he shared the view that future

uncertainties demanded increased diplomatic efforts by Tokyo and Washington to ensure that the region and the world developed in a way that was in our best interests.

15. (C) The United States and Japan face both new and traditional challenges in East Asia, according to Nishida. The first challenge was the existence of a peninsula that remained divided in two. He noted that it is legitimate for Korean leaders to expect the present situation to be resolved peacefully in the long-term with the assistance of good neighbors. In the medium- to long-term, the future of a unified Korean Peninsula must be a major agenda item. The United States and Japan have an interest in ensuring that reunification occurs in a peaceful, constructive and open way that, hopefully, results in the establishment of a joint ally.

16. (C) Nishida highlighted his concern about weapons stockpiles in the region, noting the proliferation of conventional arms across the region. China is rich enough to buy a lot of arms. ASEAN also is wealthy and some ASEAN countries are expanding procurements. The region also boasted one of the biggest weapons suppliers -- Russia. This problem had to be addressed in order to improve the level of security in the region.

17. (C) Asia, Nishida pointed out, is not Europe. European countries have come a long way since World War II to unite under one roof. Ukraine was just one fairly recent example of success in Europe, and some people speculate that Ukraine may eventually join the EU or even NATO. NATO itself is moving forward and developing in a positive way to deal with future challenges. Asia, in contrast, does not have an equivalent of the EU or NATO. The U.S.-Japan security alliance served a similar purpose, but its structure is obviously different and it is a bilateral arrangement. The GOJ has spent significant time and energy on ARF, but has been disappointed with its progress. Nonetheless, Tokyo believes that ARF is an important regional institution that can take steady, albeit small and slow steps toward establishing a forum to discuss regional security issues.

18. (C) In addition to ARF, there is now the well known, some may say "notorious," proposal to create an East Asian community, Nishida continued. The GOJ considers this a natural and legitimate trend among Asian countries to create an intra-Asian regional institution to discuss a variety of issues. Nishida noted that similar intra-regional groups have already formed in Africa, Latin America and Central America. He appreciated USG interest in hearing about developments in this area, adding that he could assure Washington that this is very much an "Asian" process, i.e., there will be steady progress, but it will be slow moving. We will have time to work out such matters as the nature of the group, the framework for the summit, and the topics addressed. Nishida suggested that the GOJ and USG should try to map out what the best institution might be for both our interests.

China

19. (C) The Taiwan Strait was another "challenge" -- although not a "problem," Nishida stressed. He shared the U.S. view on the difficulty of the task at hand. The issue was that the situation requires a peaceful resolution by two parties (or, Nishida said, "one country, one entity") first. We must work to ensure that international laws were respected and observed throughout the process of resolving differences between the two sides. He noted the emergence of China as a power in the region and clarified that Japan does not consider China a threat. As Prime Minister Koizumi has stated, China presents both opportunities and challenges. On the positive side, almost 3 million Japanese citizens visited China in 2002, with half a million Chinese coming to Japan. This was a huge number, and was increasing every day. The GOJ welcomed this rising volume of people-to-people contact. Moreover, Japan's leading trade partner was now China. For China, its top trade partners were first the EU, then the United States, and third was Japan. This demonstrated that China's economy was growing up and a win-win situation was being created. This growing market presented opportunities, not just for Chinese citizens, but for Americans, Japanese, and Russians as well.

10. (C) At the same time, Nishida continued, the GOJ experiences problems with China almost everyday. First, the PRC has shown it is not yet prepared to observe laws or regulations, not only in the trade and economic field, but in political and military affairs as well. We should take this very seriously. Second, Chinese society was facing huge dilemmas. It was still a Communist country, with a virtual one-party system, and the GOJ sees no sign of a change in the regime or system itself. So long as the economy continued to boom, the regime was safe, but once (like any other big economy) this growth flattened, it was unclear whether the society or the regime would be prepared to respond to more

fundamental social and political challenges.

11. (C) The GOJ is still in the process of evaluating the Hu-Wen regime, Nishida said, and has not yet made a determination on whether it will be powerful and good, or a transitional rule marked by compromise. One big uncertainty was the issue of control over the military. During meetings with Chinese officials, the GOJ always stresses the importance of transparency, especially in the area of military budget. Nishida shared a chart of Japan's and China's defense budgets and their ratio to GDP, highlighting the upward trend in Beijing's figures over the last ten years. He added that the "well-known secret" was that of course these numbers do not include procurement, so the official numbers do not capture the full picture. DVM Nishida proposed some form of U.S.-Japan dialogue on the Chinese defense budget, i.e., among analysts who could compare notes on the real status of China's military budget. It was also important, he argued, for us to strengthen our efforts to urge the EU not lift its arms embargo on China. Nishida had seen on the international news that the U.S. Congress had "raised its powerful voice" on this issue, but we needed more coordinated action vis-a-vis Europe. The USG and GOJ have a common interest at stake, and we should not miss this opportunity to discuss these strategic issues with Europe. Feigenbaum noted that MOFA's chart on defense spending appeared to capture the basic trends seen in Washington.

North Korea

12. (S) Both Krasner and Nishida agreed on the importance of looking at the Korean Peninsula from a long-term perspective. It was clear, Krasner added, that the situation would not mirror the German experience because of such things as the large disparities in income between the two Koreas. While it may be useful to start to think about the long-term future of the Peninsula, e.g. after reunification, it was a sensitive topic and would need to be handled delicately, and not in any open or formal way. He also wondered how receptive either South Korea or China would be to talking about the very long term.

13. (S) Nishida responded that in comparison to the U.S. experience, Japan's engagement on the Korean Peninsula had, for good or bad, a long history. For Japan, it was unable to talk about the future of Korea without talking about the past. As a result, this was a very difficult issue, and a domestic political issue as well. He urged Krasner to pay proportionate attention to Japan's point of view when mapping out U.S. policy. To illustrate, Nishida stated that even when discussing abduction issues, counterparts in South Korea say they are fully sympathetic toward Tokyo's position. At the same time, they add that the ROKG also must think about what the Japanese did in the past. So even South Korea raises these "delicate" issues of the past.

14. (S) DDG Tsuruoka noted that the USG and GOJ have not yet officially discussed long-term reunification, but he argued that addressing the issue now could be a way of changing South Korean attitudes toward the United States. He cited a recent ROK public opinion poll which showed a large percentage of South Korean citizens now believe that the United States is to blame for the division of the peninsula. Twenty years ago, ROK citizens recognized that Communist aggression was actually to blame. This change was almost entirely the result of DPRK propaganda. Tsuruoka suggested that avoiding the issue of reunification had, in effect, given the North the opportunity to continue to blame Washington for the division of Korea. While Japan was the most hated country in Korea, the United States was second. This was a dangerous trend, and the USG and GOJ should work to correct this misperception, although, he acknowledged, it might not be appropriate to raise the topic in the public domain.

15. (S) Feigenbaum noted that there was a clear distinction made in the ROK between "reconciliation" and "reunification." While the latter was a long-term aspiration of all Koreans, the ROKG is focused on its project of "reconciliation" with the DPRK. It was important to convey to the ROK public that the DPRK was, in many ways, the obstacle to reconciliation.

16. (S) Director Mizutori pointed out that the peaceful reunification of the Korean Peninsula was clearly listed as a common strategic objective in the most recent Two-Plus-Two statement. Surprisingly, she said, she had not yet heard either through private or public channels any complaints or concerns about this reference. While she agreed with the basic U.S. analysis of the dangers of discussion, she thought that in principle it was important to show that we did in fact support the reconciliation process.

17. (C) Krasner noted that China's role appeared central to the DPRK problem, and wondered how much pressure Beijing had

been applying on the North. Nishida agreed that China was a central player, saying the PRC may need something from Washington or Tokyo -- which could not be viewed as a reward or a gift -- to gain Pyongyang's cooperation. China does not want to be seen as taking direction from other countries; nonetheless, the United States needs to send a stronger message to China, Tsuruoka insisted. Tsuruoka reminded the group that North Korea is no longer party to the Non-Proliferation Treaty and has kicked out IAEA inspectors. The longer North Korea postpones talks, the more time they have to do what they want, he warned.

18. (C) Nishida said the USG and GOJ must think carefully about what real leverage each had to resolve the issue properly. From Japan's perspective, the domestic political pressure from the abductions issue was significant, and Nishida was unsure how long the GOJ could resist such pressure before having to apply unilateral measures, particularly in the next year. Tsuruoka sensed growing Japanese doubt over the efficacy of diplomacy, and worried that the public would soon begin to question the value of the U.S.-Japan alliance. He stressed the need to reconvene the Six-Party Talks in order to prove to the Japanese public that diplomacy still works. China has a different strategic view. Instead of pressuring North Korea, China demands that the United States make concessions. Tsuruoka exhorted the United States to convince China to move by using a stronger message. Nishida suggested that Secretary Rice's upcoming trip to Asia might be an opportune time to discuss the issue and encouraged the United States and Japan to commit more time and energy to solving the DPRK problem.

19. (C) Krasner asked whether a failure to resolve the issue diplomatically would lead the Japanese to pursue an independent nuclear path. Nishida assured him that the Japanese government would not go that far. He admitted, however, that public pressure might force the government to take unilateral measures, like sanctions. Tsuruoka explained that the government knows that sanctions applied by one country would be ineffective but said that at times governments sometimes have to behave irrationally in order to pacify their people politically. Nishida said that while PM Koizumi is trying to downplay the possibility of sanctions, other politicians are taking a very hard line. The Japanese government is caught in between the two groups of politicians and, he predicted, this "delicately constructed package" would become untenable if progress is not made soon.

20. (C) The North Korea crisis has exposed the Japanese public for the first time to a real, direct threat, Nishida said. To that end, Japan has tried to strengthen its ability to be a global player and a better ally to the United States. For example, the public accepted the SDF dispatch to Iraq, in part, because of the threat on the Korean Peninsula. Yamada agreed that the Japanese government has used the North Korean situation to facilitate the dispatch of the SDF to Iraq. In order to maintain the U.S.-Japan alliance in a global context, we need to solve the North Korea problem, Yamada concluded. (COMMENT: Asked subsequently by Embassy Tokyo to comment on these statements by DVM Nishida and his deputies, Northeast Asia Division Principal Deputy Taisuke Mibae said he sees no direct linkage between the Six-Party diplomatic process and regard for the U.S.-Japan Alliance among officials of the Japanese government, or the public-at-large, and has not heard anyone else in the Gaimusho expressing that point of view. As to whether Japan may impose unilateral economic sanctions on the DPRK, Mibae pointed out that public pressure for sanctions was firmly linked to the abduction issue, not lack of progress in the Six-Party Talks as Nishida and his colleagues agreed. He said even a total collapse of the talks would not necessarily increase the public call for sanctions. Furthermore, he said, his division believes the public call for sanctions issue is now waning, in large part because the public views the newly enacted oil pollution law as a de facto sanction, despite the fact the law was not created for that purpose. END COMMENT.)

21. (C) DDG Tsuruoka noted that Foreign Minister Machimura had told Secretary Rice that we should always keep open the option of bringing the DPRK nuclear issue to the UNSC if the Six-Party Talks fail. The initial purpose of the Six-Party process was to secure results on the nuclear issue, but this, unfortunately, has not been accomplished. The actual result has been to demonstrate to the world how odd and strange the DPRK really is. Libya is now behaving well and Syria is on the verge of improving its behavior, while the DPRK still tops the IAEA's agenda. Regarding the possibility of taking the issue to the UNSC, Tsuruoka suggested that Japan would not necessarily insist on immediate sanctions but might seek a milder statement. Many label the UNSC route a "non-starter" because China and Russia would oppose it, but if China cannot deliver on the Six-Party Talks, the UNSC might become a viable option, he argued.

22. (C) Nishida agreed that since Japan is now a

non-permanent member of the UNSC, the next step would be to take the issue there. He said that Japan is a strong advocate of UNSC reform and is in the midst of Constitutional revision. For 60 years, both the UNSC and Japan's Constitution have been left untouched, but times are changing Nishida said, and Japan should not avoid friction with China. Japan will be forced to go to the UNSC with or without the United States if the Six-Party Talks remain a "hollow circus." Despite China's veto power, Japan can now raise the issue at anytime and if China repeatedly resists discussing the issue internationally, China will lose face, which would have serious consequences in Asia, where "face" is important. He suggested that a next step might be to go to Beijing together or individually to deliver a common message: "we need action, we need results." When asked about the timing of such a move, Nishida suggested a month from now.

123. (C) Mizutori shared that all six members of the process had attended an ARF meeting a few weeks ago. South Korea, Japan and the United States demanded that North Korea return to the table, while China, Russia and North Korea asserted that all parties should show flexibility. This rhetoric was surprising, she said, since North Korea had just announced it had nuclear weapons. Nevertheless, Mizutori thought it succeeded in proving to other Asian countries that North Korea was irrational and that China and Russia were irresponsible.

Democratization -----

124. (C) Krasner briefed his counterparts on the general goals of the President's democratization initiative and on the challenges of implementation. The President and Secretary Rice had an ambitious agenda and Krasner would be busy identifying ways to use existing tools more effectively and developing new tools. The United States is considering ways to better deal with nations that are outside the pattern of globalization and not integrated into the global system. Much of Africa, for instance, has lower per capita income and shorter life expectancy than in 1980. He emphasized the importance of international coordination and invited Nishida to share his views on the endeavor and ways to coordinate bilaterally.

125. (C) Democratization has always been an important pillar of U.S. diplomacy, Nishida said, and Japan, too, believes in common values and objectives. He thought democratization was enjoying real success and said there is a shared sentiment in capitals like Tokyo and Paris that a prudent approach, i.e., one that is slow, steady, and takes account of local factors, is best. In response to a question about what form of U.S.-Japan coordination would be good for the Asian region, Nishida said he would support almost any joint initiative as long as it was feasible and results-oriented. He admitted that MOFA's resources were constrained and moaned that every day is a budgetary battle.

126. (C) Krasner asked about specific countries that might make good targets for joint U.S.-Japan democratization of good governance promotion in the Pacific region. Nishida replied that Indonesia and India might be good candidates. Indonesia is a big, complex, strategically important country and India's role in Asia will likely grow as China rises. Although it works well with other Asian countries, India needs to be more integrated in regional efforts. Nishida was unsure whether India was ready to work with Japan and United States and pointed to India's refusal to accept assistance in the aftermath of the tsunami. He said it showed that India is a country of proud people which has substantial resources. He warned that India could become over-confident and refuse to work with other countries. Indonesia is moving forward, too, and will host the Bandung Conference in April, which Japan will enthusiastically attend. Shear noted that the 1955 Bandung conference came to represent the solidarity of the anti-colonialists, the emergence of China, and the birth of the non-aligned movement. He wondered why a revised Bandung was the optimal vehicle for Japan. Nishida agreed with the analysis of 1955 but said the upcoming conference will symbolize the emergence of the Least Developed Countries and of Southeast Asia, a project Japan wanted to be part of. (COMMENT: At a dinner discussion on UNSC reform, reported septel, it emerged that Japan's enthusiasm for Bandung is explicitly part of its effort to lobby for a two-thirds vote of the General Assembly for its UNSC candidacy. END COMMENT.)

127. (C) Tsuruoka predicted that the Bandung conference attendees would use it to mark their shared values and that successful Asian countries could contribute to African development. Indonesia was successful because consistent support for the regime in power gave it enough time to develop a viable economy. Now Asia is trying to translate its experience to Africa. Tsuruoka warned that we should not try to impose our ideas of democracy on Africa because that would give Africa an excuse not to democratize. He said

there are many things that we can do together and offered Japan's three principles in building strong democracies: partnership, ownership and consent by the recipient. Krasner agreed that the key to democratization is to create a set of incentives that guides political leaders to make the right decisions.

128. (SBU) Participants:

U.S.

Director of Policy Planning Stephen D. Krasner
S/P Member Evan Feigenbaum
POLMIN David Shear
POL Steve Hill
POL Tandy Matsuda (notetaker)
ECON Christina Collins (notetaker)

Japan

Deputy Vice Minister for Foreign Policy Tsuneo Nishida
Deputy Director General Koji Tsuruoka
Policy Coordination Division Director Kazuhide Ishikawa
Policy Planning Division Director Hiroshi Kawamura
National Security Policy Division Director Mami Mizutori
UN Policy Division Director Kazutoshi Aikawa

129. (U) S/P Krasner has cleared this cable.
MICHALAK